

Message Text

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PAGE 01 STATE 170400

73

ORIGIN PM-07

INFO OCT-01 NEA-10 ADP-00 DODE-00 L-03 MC-02 AID-20 IGA-02

CIAE-00 INR-10 NSAE-00 RSC-01 SS-15 NSC-10 EUR-25

/106 R

DRAFTED BY PM/MAS:JLCLUNAN:HME

EXT. 28139 8/27/73

APPROVED BY PM/PA:AFORD

PM/MAS - MR. GREY

NEA/RA - MR. PADELFORD

NEA/INS - MR. LEADER

NEA - MR. LAINGEN.

DOD.DSAA - CAPT. CANTACUZENE

L/PM - MR. MICHEL (INFO)

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R 272144Z AUG 73

FM SECSTATE WASHDC

TO AMEMBASSY COLOMBO

INFO CINCPAC HONOLULU HI

USDAO COLOMBO

C O N F I D E N T I A L STATE 170400

E.O. 11652: GDS

TAGS: MASS, US, CE

SUBJECT: PURCHASE OF SHIP FOR SRI LANKA NAVY

REF: (A) COLOMBO 1980 (B) USDAO COLOMBO 386 AUG 73

1. SUMMARY: US NAVY IS TRANSMITTING BY SEPTTEL DETAILS
OF SHIP WHICH APPEARS TO MEET MOST TECHNICAL REQUIREMENTS
SPECIFIED BY SRI LANKA NAVY. AT PRESENT US CANNOT
OFFER CREDIT AND RUPEE PAYMENT NOT PERMISSIBLE. THUS
DESPITE SHIP AVAILABILITY WE DO NOT THINK WE COULD
MAKE FEASIBLE SALE OFFER TO CEYLONSE UNTIL SOMETIME
IN AUTUMN AT EARLIEST WHEN WE WILL HAVE CLEARER
PICTURE FMS LEGISLATION. WE PROPOSE MISSION NOT RPT
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PAGE 02 STATE 170400

NOT PASS TO GSL OR SLN DATA ON AVAILABLE SHIP AT PRESENT.

IN MEANTIME, WE LOOK FORWARD TO YOUR RECOMMENDATIONS
PER COLOMBO 1980. END SUMMARY

2. "COURTNEY" CLASS DESTROYER ESCORT HAS BEEN IDENTIFIED
BY US NAVY AS VESSEL WHICH MAY SATISFY SLN NEED FOR
SHIP DESCRIBED REF A. DESCRIPTION BEING TRANSMITTED
BY SEPARATE NAVY MESSAGE WHICH RESPONDS TO REF B.

3. SALE PRICE OF COURTNEY DE IS DOLS 120,000 PLUS 2
PERCENT IN ADMINISTRATIVE COSTS. HOWEVER, SHIP MOST
PROBABLY WOULD HAVE TO BE OVERHAULED. NORMALLY, SUCH
OVERHAUL COSTS BETWEEN 2 AND 4 MILLION DOLLARS, WHEN
DONE IN US SHIPYARD. OVERHAUL COSTS COULD BE LESS IF
DONE ELSEWHERE, E.G., SINGAPORE. ON THE OTHER HAND,
OVERHAUL AND REFITTING PREFERENCES OF SLN COULD INCREASE
THIS COST.

4. FOLLOWING IS PROCEDURE FOR SALE TO GSL SHOULD WE
DETERMINE SALE IS DESIRABLE. US NAVY WOULD BE AUTHORIZED
CARRY OUT SALE UNDER THE PROVISIONS OF THE FOREIGN
MILITARY SALES ACT (FMSA), OR SUCCESSOR LEGISLATION
WHICH THE CONGRESS MAY ENACT PRIOR TO CONCLUSION OF SALE.
CONSUMMATION OF SALE WOULD OCCUR UPON SIGNATURE OF A
STANDARD FORM OF CONTRACT, KNOWN AS A LETTER OF OFFER
AND ACCEPTANCE (DD FORM 1513), WHICH INCORPORATES
EXISTING STATUTORY PROVISIONS ON FOREIGN MILITARY
SALES. SIGNATURE WOULD BE DONE BY REPRESENTATIVES SLN
AND USN.

5. UNDER THE PROVISION OF THE FMSA THE PURCHASING
COUNTRY MUST PAY FOR DEFENSE ARTICLES, SUCH AS SHIPS,
AND DEFENSE SERVICES, SUCH AS OVERHAUL IN US DOLLARS.
FY 74 LEGISLATION NOW PENDING BEFORE CONGRESS WILL ALSO
CONTAIN THIS PROVISION.

6. WE ARE NOT NOW ABLE CONSIDER ANY RPT ANY CREDITS
FOR PURCHASE AND OVERHAUL. OUTLOOK FOR FY 74 FOREIGN
ASSISTANCE LEGISLATION IS UNCERTAIN AND UNTIL THIS
CLEARED UP WE MUST HOLD IN ABEYANCE POSSIBILITY OF
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PAGE 03 STATE 170400

CREDIT AND, THEREFORE, DECISION ON FEASIBILITY OF SALE.

7. SENATE HAS PASSED MILITARY ASSISTANCE AND SALES
BILL WHICH IS SIGNIFICANTLY LESS RESPONSIVE TO
ADMINISTRATION REQUEST THAN OMNIBUS FOREIGN ASSISTANCE
BILL PASSED BY HOUSE JULY 26. SENATE HAS YET TO PASS
FOREIGN ECONOMIC ASSISTANCE BILL. LATTER WILL HAVE
TO BE COMBINED WITH SENATE'S MILITARY ASSISTANCE AND

SALES BILL BEFORE HOUSE AND SENATE GO TO CONFERENCE. WE ANTICIPATE THAT CONFERENCE TO RESOLVE DIFFERENCES BETWEEN SENATE AND HOUSE BILLS WILL GET UNDERWAY IN LATTER PART SEPTEMBER.

8. WOULD APPRECIATE EMBASSY RECOMMENDATION ON WHERE WE SHOULD GO FROM HERE ON SHIP SALE QUESTION. PRESUME EMBASSY AGREES STRAIGHT CASH SALE WOULD BE OUT OF QUESTION IN VIEW SRI LANKA'S PRESENT ECONOMIC STRAITS. WE WOULD APPRECIATE READING ON UK ATTITUDE RE CEYLONENE REQUEST TO THEM. CAN YOU GET THIS INFO FROM BRITISH HICOM COLOMBO?

9. FOLLOWING RECEIPT EMBASSY RECOMMENDATIONS WE CAN CONSIDER HOW WE WISH PROCEED. IN MEANTIME, INFO RE VESSEL SHOULD NOT RPT NOT BE PASSED TO CEYLONENE. RUSH

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